## **SENATE BILL 943**

R4 8lr3121

By: Senator Forehand

Introduced and read first time: February 25, 2008

Assigned to: Rules

Re-referred to: Judicial Proceedings, March 21, 2008

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: April 2, 2008

CHAPTER

## 1 AN ACT concerning

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## Vehicle Laws - Manufacturers, Distributors, and Factory Branches -Prohibited Acts

FOR the purpose of requiring a sales objective or other program for measuring the performance of vehicle dealers to be fair and based on certain factors under certain circumstances; prohibiting a manufacturer, distributor, or factory branch from denying certain benefits to a dealer under certain circumstances; prohibiting a manufacturer, distributor, or factory branch from offering or advertising, or allowing its captive finance companies or dealers to offer or advertise, certain programs or terms unless all dealers are allowed to offer or advertise the programs or terms; establishing the burden of proof when a manufacturer, distributor, factory branch, or captive finance company denies certain benefits to a dealer under certain circumstances; prohibiting a manufacturer, distributor, or factory branch from requiring a dealer to alter or replace an existing dealership facility or from denying or threatening to deny certain benefits to a dealer under certain circumstances; prohibiting a manufacturer, distributor, or factory branch from reducing the price of a motor vehicle charged to a dealer or providing different financing terms to a dealer in exchange for a certain agreement by the dealer; specifying the conditions under which a manufacturer, distributor, or factory branch may offer certain promotional items for the sale of a vehicle by its dealers; prohibiting a manufacturer, distributor, or factory branch from discriminating among its dealers under certain circumstances; requiring a manufacturer, distributor, or factory branch that has a certain franchise or other contract with a dealer to allow the dealer to make certain purchases in a certain manner and to receive

## EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

<u>Underlining</u> indicates amendments to bill.

Strike out indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1	certain rights to incentive payments; prohibiting a manufacturer, distributor, or
2	factory branch from exercising a right of first refusal under certain
3	circumstances related to a transfer of a dealer's business or a proposed change
4	in the executive management of a dealer's business; prohibiting a manufacturer,
5	distributor, or factory branch from varying the price of or incentives related to
6	certain motor vehicles or accessories under certain circumstances; altering the
7	period of time during which a certain claim may be charged back under certain
8	circumstances; prohibiting a manufacturer, distributor, or factory branch from
9	refusing to pay or claiming reimbursement from a dealer for sales, incentives, or
10	payments related to a motor vehicle sold by a dealer and exported or resold by
11	the purchaser under certain circumstances; altering a certain definition;
12	defining a certain term; and generally relating to manufacturers, distributors,
13	and factory branches.
14	BY adding to
15	<u>Article – Transportation</u>
16	<u>Section 15–207(h)</u>
17	Annotated Code of Maryland
18	(2006 Replacement Volume and 2007 Supplement)
19	BY repealing and reenacting, with amendments,
20	Article – Transportation
21	Section <del>15–207, 15–208, 15–211, and</del> 15–212.1
22	Annotated Code of Maryland
23	(2006 Replacement Volume and 2007 Supplement)
24	SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
25	MARYLAND, That the Laws of Maryland read as follows:
26	Article - Transportation
27	15–207.
28	(H) A MANUFACTURER, DISTRIBUTOR, OR FACTORY BRANCH MAY NOT
29	VARY THE PRICE OF OR INCENTIVES RELATED TO NEW MOTOR VEHICLES OR
30	ACCESSORIES SOLD TO, OR SOLD BY, A DEALER BASED ON THE DEALER'S
31	AGREEMENT OR LACK OF AGREEMENT TO:
32	(1) PURCHASE OR CONSTRUCT NEW DEALERSHIP FACILITIES; OR
33	(2) RELOCATE, REMODEL, RENOVATE, OR REPAIR EXISTING
34	DEALERSHIP FACILITIES.
35	(a) (1) In this section the following words have the meanings indicated.

1	(2) (i) "Coerce" means to compel or attempt to compel by threat of
2	harm, INCLUDING THE LOSS OF ANY BENEFIT MADE AVAILABLE TO OTHER
3	DEALERS IN THE STATE, breach of contract, or other adverse consequences.
	Difficulties in Title Strill, breach of contract, of other deverse consequences.
4	(II) "COERCE" INCLUDES TO ACT IN A MANNER THAT
5	VIOLATES § 15–206.1 OF THIS SUBTITLE.
J	<del>VIOLATES Y 10-200,1 OF THIS SUBTITLE,</del>
6	[('')] (TTT)
	[(ii)] (III) "Coerce" does not include to argue, urge, recommend,
7	<del>or persuade.</del>
0	(a) "D : "
8	(3) "Require" means to impose upon a dealer a provision not required
9	by law or previously agreed to by a dealer in a franchise agreement, excluding
10	business decisions by a manufacturer, distributor, or factory branch which are
11	uniformly applied to all Maryland dealers in new vehicles of the manufacturer,
12	distributor, or factory branch.
13	(b) A manufacturer, distributor, or factory branch, whether directly or
14	through an agent, employee, or representative, may not coerce any dealer to make any
15	agreement with the manufacturer, distributor, or factory branch.
16	(c) A manufacturer, distributor, or factory branch, whether directly or
17	through an agent, employee, or representative, may not coerce any dealer to order or
18	accept delivery of any vehicle, any equipment, parts, or accessories for a vehicle, or
19	any other commodity that is not required by law or by the dealer's franchise or that
20	was not ordered voluntarily by the dealer.
21	(d) A manufacturer, distributor, or factory branch, whether directly or
22	through an agent, employee, or representative, may not require or coerce a dealer, by
23	franchise agreement or otherwise, or as a condition to the renewal or continuation of a
24	franchise agreement, to:
25	(1) Exclude from the use of the dealer's facilities a dealership for
26	which the dealer has a franchise agreement to utilize the facilities; or
27	(2) Materially change the dealer's facilities or method of conducting
28	business if the change would impose substantial financial hardship on the business of
29	the dealer.
30	(e) (1) A manufacturer, distributor, or factory branch, whether directly or
31	through an agent, employee, or representative, may not require or coerce a dealer to
32	adhere to performance standards that are not applied uniformly to other similarly
33	situated dealers.
34	(2) (1) A performance standard, SALES OBJECTIVE, or program for
35	measuring dealership performance that may have a material effect on a dealer,
36	INCLUDING THE DEALER'S RIGHT TO PAYMENT UNDER ANY INCENTIVE OR
55	INCLODING THE DEMLETS RIGHT TO FAIRLEST UNDER ANT INCENTIVE OR

REIMBURSEMENT PROGRAM, and the application of the standard, SALES

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1	OBJECTIVE, or program by a manufacturer, distributor, or factory branch shall be
2	fair, reasonable, equitable, and based on accurate information, INCLUDING:
3	1. THE DEMOGRAPHIC CHARACTERISTICS OF THE
4	POPULATION, WITH EMPHASIS ON CAR AND TRUCK BRAND PREFERENCES OF
5	CONSUMERS WHO PURCHASE NEW CARS AND TRUCKS AT RETAIL; AND
J	Conscients with a chemistrate with the first t
6	2. THE GEOGRAPHIC CHARACTERISTICS THAT
7	AFFECT CAR AND TRUCK SHOPPING PATTERNS IN THE DEALER'S ASSIGNED
8	MARKET AREA.
9	(H) A MANUFACTURER, DISTRIBUTOR, OR FACTORY
10	BRANCH MAY NOT DENY THE BENEFITS OF MEETING A STANDARD OR SALES
11	OBJECTIVE TO A DEALER WHO PRESENTS DOCUMENTATION OR REASONABLE
12	EVIDENCE THAT THE STANDARD OR SALES OBJECTIVE WAS MET AND THE
13	BENEFIT WAS PROVIDED TO THE CONSUMER.
14	(3) (i) If the performance standard is based on a survey, it must be
15	<del>shown that:</del>
16	1. The survey was designed with experts;
10	1. The barvey was designed with experts,
17	2. The proper universe was examined;
18	3. A representative sample was chosen; and
10	<del>a.</del> <del>Priepresentative sample was chosen, and</del>
19	4. The data was accurately reported.
20	(ii) The manufacturer, distributor, or factory branch shall
21	establish the objectivity of the survey process and provide this information to any
22	dealer of the same line make covered by the survey on request.
23	(f) A franchise agreement or other contract offered to a dealer by a
24	manufacturer, distributor, or factory branch may not contain any provision requiring a
25	dealer to pay the attorney's fees of the manufacturer, distributor, or factory branch
26	related to disputes involving the franchise.
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27	(g) (1) (i) If the dealer is an entity other than an individual, the dealer
28	shall designate an individual to represent the dealer to do business with the
29	manufacturer, distributor, or factory branch.
30	(ii) Approval of the individual may not be withheld by the
31	manufacturer, distributor, or factory branch unless the individual is unfit due to lack
32	of good moral character or fails to meet reasonable general business experience
33	requirements.
	<u>.</u>

1	(2) A dealer shall have a reasonable amount of time to:
2 3	(i) Designate a representative or a successor if a change is required for any reason; and
4 5 6	(ii) Obtain approval of the representative or successor designated under item (i) of this paragraph, including time for a hearing, in the event of any objection by the manufacturer, distributor, or factory branch.
U	of any objection by the manaracturer, abbribator, or ractory branch.
7	(3) At a hearing resulting from an objection to the approval of the
8	designated individual, the manufacturer, distributor, or factory branch has the burden
9 L0	of proving that the designated individual is not of good moral character or fails to meet reasonable general business experience requirements.
LU	reasonaste general susmess experience requirements.
1	(H) (1) IN THIS SUBSECTION, "CAPTIVE FINANCE COMPANY" MEANS A
12	WHOLLY OWNED SUBSIDIARY OF A MANUFACTURER, DISTRIBUTOR, OR FACTORY
L3	BRANCH THAT PROVIDES FINANCING.
L <b>4</b>	(2) (1) ANY CONSUMER REBATES, DEALER INCENTIVES, PRICE
<b>L</b> 5	OR INTEREST RATE REDUCTIONS, OR FINANCE TERMS THAT A MANUFACTURER,
16	DISTRIBUTOR, OR FACTORY BRANCH OFFERS OR ADVERTISES, OR ALLOWS ITS
L <b>7</b>	CAPTIVE FINANCE COMPANIES OR DEALERS TO OFFER OR ADVERTISE SHALL BE
18	OFFERED TO ALL DEALERS.
L9	(H) ANY MANUFACTURER, DISTRIBUTOR, FACTORY
20	BRANCH, OR CAPTIVE FINANCE COMPANY THAT DENIES THE BENEFIT OF ANY
21	CONSUMER REBATES, DEALER INCENTIVES, PRICE OR INTEREST RATE
22	REDUCTIONS, OR FINANCE TERMS TO A DEALER ON THE BASIS THAT THE
23	DEALER FAILED TO COMPLY WITH PERFORMANCE STANDARDS SHALL HAVE THE
24	BURDEN OF PROVING THAT THE PERFORMANCE STANDARDS COMPLY WITH THE
25	PROVISIONS OF THIS SECTION.
26	(3) As long as a dealer does not violate any State or
27	LOCAL LAW INTENDED TO PROTECT THE PUBLIC, A MANUFACTURER,
28	DISTRIBUTOR, OR FACTORY BRANCH MAY NOT:
00	
29	(I) REQUIRE A DEALER TO ALTER OR REPLACE AN
30	EXISTING DEALERSHIP FACILITY; OR
31	(II) DENY OR THREATEN TO DENY ANY BENEFIT GENERALLY
32	AVAILABLE TO ALL DEALERS FOR A DEALER'S FAILURE TO ALTER OR REPLACE
33	AN EXISTING DEALERSHIP FACILITY.
34	(4) A MANUFACTURER, DISTRIBUTOR, FACTORY BRANCH, OR
) <del>-</del>	CARREST PRIANCE CONTINUE MAIN NOT PERSON WITH PRICE OF A STOREST

$\frac{1}{2}$	VEHICLE CHARGED TO A DEALER OR PROVIDE DIFFERENT FINANCING TERMS TO A DEALER IN EXCHANGE FOR THE DEALER'S AGREEMENT TO:
3	(I) MAINTAIN AN EXCLUSIVE SALES OR SERVICE FACILITY;
4	(II) BUILD OR ALTER A SALES OR SERVICE FACILITY; OR
5 6	(III) PARTICIPATE IN A FLOOR PLAN OR OTHER FINANCING
U	ARRANGEMENT.
7	(I) A MANUFACTURER, DISTRIBUTOR, OR FACTORY BRANCH MAY
8	OFFER REBATES, CASH INCENTIVES, OR OTHER PROMOTIONAL ITEMS FOR THE
9	SALE OF A VEHICLE BY ITS DEALERS AS LONG AS:
10	(1) THE SAME REBATE, CASH INCENTIVE, OR PROMOTION IS
11	OFFERED TO ALL OF ITS DEALERS;
12	(2) THE REBATE, CASH INCENTIVE, OR PROMOTION IS BASED
13	SOLELY ON THE SALE OF AN INDIVIDUAL VEHICLE AND MAY NOT BE INCREASED
14	FOR MEETING A PERFORMANCE STANDARD; AND
15	(3) THERE IS NO INCREASED REBATE, CASH INCENTIVE, OR
16	PROMOTION FOR MULTIPLE SALES OF A VEHICLE THAT EXCEEDS THE PRODUCT
17	OF THE INDIVIDUAL VEHICLE REBATE, INCENTIVE, OR PROMOTION AND THE
18	NUMBER OF VEHICLES SOLD.
19	(J) A MANUFACTURER, DISTRIBUTOR, OR FACTORY BRANCH MAY NOT
20	DISCRIMINATE AMONG ITS DEALERS IN ANY PROGRAM, INCLUDING INTERNET
21	LISTINGS, SALES LEADS, WARRANTY POLICY ADJUSTMENTS, MARKETING
22	PROGRAMS, AND DEALER RECOGNITION PROGRAMS, THAT PROVIDES
23	ASSISTANCE TO ITS DEALERS.
24	<del>15-208.</del>
25	(a) A manufacturer may not refuse to deliver new motor vehicles, new
26	two-stage vehicles, or truck component parts, as the case may be, to a licensed dealer
27	or distributor, in reasonable quantities and within a reasonable time after receipt of a
28	written order, if:
29	(1) The manufacturer specifically advertises that these vehicles or
30	truck component parts are available for immediate delivery; and
31	(2) The dealer or distributor has a franchise or other contract with the
32	manufacturer for the sale of these vehicles or truck component parts to the public.

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1	(b) A distributor may not refuse to deliver new motor vehicles, or new
$\overline{2}$	two-stage vehicles, as the case may be, to a licensed dealer, in reasonable quantities
3	and within a reasonable time after receipt of a written order, if:
	•
4	(1) The distributor specifically advertises that these vehicles are
5	available for immediate delivery; and
6	(2) The dealer has a franchise or other contract with the distributor
7	for the sale of these vehicles to the public.
8	(e) A factory branch may not refuse to deliver new motor vehicles, or new
9	two-stage vehicles, as the case may be, to a licensed dealer, in reasonable quantities
10	and within a reasonable time after receipt of a written order, if:
11	(1) The factory branch specifically advertises that these vehicles are
12	available for immediate delivery; and
13	(2) The dealer has a franchise or other contract with the factory
13 14	(2) The dealer has a franchise or other contract with the factory branch for the sale of these vehicles to the public.
14	pranch for the safe of these verncies to the public.
15	(d) A failure to deliver vehicles because of a labor strike, government
16	regulation, or other cause not the fault of the manufacturer, distributor, or factory
17	branch is not a violation of this section.
10	(-) <del>-</del>
18	(E) IF A DEALER HAS A FRANCHISE OR OTHER CONTRACT WITH A
19	MANUFACTURER, DISTRIBUTOR, OR FACTORY BRANCH FOR THE SALE OF
20	VEHICLES OR TRUCK COMPONENT PARTS OF A SPECIFIC LINE OR MAKE, THE
21	MANUFACTURER, DISTRIBUTOR, OR FACTORY BRANCH SHALL ALLOW THE
22	<del>DEALER TO:</del>
23	(1) Purchase the vehicles or truck component parts at
24	THE SAME PRICE AND ON THE SAME TERMS AS ALL OTHER DEALERS WITH A
25	FRANCHISE OR OTHER CONTRACT FOR THE SALE OF VEHICLES OR TRUCK
26	COMPONENT PARTS OF THE SAME LINE OR MAKE: AND
20	COME OF THE SAME DIVE OF MAKE, AND
27	(2) RECEIVE THE SAME RIGHT TO INCENTIVE PAYMENTS THAT IS
28	GIVEN TO ALL OTHER DEALERS WITH A FRANCHISE OR OTHER CONTRACT FOR
29	THE SALE OF VEHICLES OR TRUCK COMPONENT PARTS OF THE SAME LINE OR
30	MAKE.
31	<del>15-211.</del>

(a) A manufacturer, whether directly or through an agent, employee, or representative, may not prevent, by contract or otherwise, any owner, partner, or stockholder of any dealership from transferring any ownership interest in the dealership to any other person.

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1	(b) A distributor, whether directly or through an agent, employee, or
2	representative, may not prevent, by contract or otherwise, any owner, partner, or
$\overline{3}$	stockholder of any dealership from transferring any ownership interest in the
4	dealership to any other person.
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5	(e) A factory branch, whether directly or through an agent, employee, or
6	representative, may not prevent, by contract or otherwise, any owner, partner, or
7	stockholder of any dealership from transferring any ownership interest in the
8	dealership to any other person.
9	(d) (1) A dealer or an owner, partner, or stockholder of a dealership may
10	not sell, assign, or otherwise transfer a franchise or any right under a franchise
11	without the consent of the manufacturer.
11	without the consent of the manufacturer.
12	(2) Notwithstanding the terms of any franchise
13	AGREEMENT OR AGREEMENT RELATED TO A FRANCHISE, A MANUFACTURER
14	MAY NOT EXERCISE A RIGHT OF FIRST REFUSAL IN THE EVENT OF:
	WITHOU EXERCISE A RIGHT OF THEST REPOSED IN THE EVENT OF
15	(I) A SALE OR TRANSFER OR PROPOSED SALE OR
16	TRANSFER OF A DEALER'S BUSINESS OR ANY EQUITY INTEREST IN A DEALER'S
17	BUSINESS; OR
Τ,	<del>Bushtess, on</del>
18	(II) ANY PROPOSED CHANGE IN THE EXECUTIVE
19	MANAGEMENT OF A DEALER'S BUSINESS.
	WHITIGENERIT OF TERMENTS BUSINESS.
20	(e) However, the manufacturer may not unreasonably withhold consent to
$\frac{21}{21}$	the transfer of a franchise under subsection (d) of this section.
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22	(f) (1) A dealer or an owner, partner, or stockholder of a dealership may
23	
	without the consent of the distributor.
25	(2) NOTWITHSTANDING THE TERMS OF ANY AGREEMENT
26	RELATED TO THE FRANCHISE, A DISTRIBUTOR MAY NOT EXERCISE A RIGHT OF
27	FIRST REFUSAL IN THE EVENT OF:
28	(I) A SALE OR TRANSFER OR PROPOSED SALE OR
29	TRANSFER OF A DEALER'S BUSINESS OR ANY EQUITY INTEREST IN A DEALER'S
30	BUSINESS; OR
30	DODITION, OIL
31	(II) ANY PROPOSED CHANGE IN THE EXECUTIVE
32	MANAGEMENT OF A DEALER'S BUSINESS.
<i>5</i> 4	WHITAGENERT OF A DEALER & DUBINERS.

However, the distributor may not unreasonably withhold consent to the

transfer of a franchise under subsection (f) of this section.

1	(h) (1) A dealer or an owner, partner, or stockholder of a dealership may
2	not sell, assign, or otherwise transfer a franchise or any right under a franchise
3	without the consent of the factory branch.
4	(2) NOTWITHSTANDING THE TERMS OF ANY AGREEMENT
5	RELATED TO THE FRANCHISE, A FACTORY BRANCH MAY NOT EXERCISE A RIGHT
6	OF FIRST REFUSAL IN THE EVENT OF:
7	(I) A SALE OR TRANSFER OR PROPOSED SALE OR
8	TRANSFER OF A DEALER'S BUSINESS OR ANY EQUITY INTEREST IN A DEALER'S
9	BUSINESS; OR
LO	(H) ANY PROPOSED CHANGE IN THE EXECUTIVE
11	MANAGEMENT OF A DEALER'S BUSINESS.
2	(i) However, the factory branch may not unreasonably withhold consent to
13	the transfer of a franchise under subsection (h) of this section.
L <b>4</b>	15–212.1.
<b>L</b> 5	(a) Upon the filing of a claim, a manufacturer, factory branch, or distributor
6	shall compensate a dealer for any incentive or reimbursement program sponsored by
L <b>7</b>	the manufacturer, factory branch, or distributor, under the terms of which the dealer
L8	is eligible for compensation.
L9	(b) (1) A claim filed under this section shall be:
20	(i) In the manner and form prescribed by the manufacturer,
21	factory branch, or distributor; and
22	(ii) Approved or disapproved within 30 days of receipt.
23	(2) A claim not approved or disapproved within 30 days of receipt shall
24	be deemed approved.
25	(3) Payment of a claim filed under this section shall be made within 30
26	days of approval.
27	(c) (1) If a claim filed under this section is shown by the manufacturer,
28	factory branch, or distributor to be false or unsubstantiated, the manufacturer, factory
29	branch, or distributor may charge back the claim within [9] 2 months from the [end]
30	PAYMENT of the incentive or reimbursement [program] DATE THE CLAIM WAS PAID
31	OR A CREDIT WAS ISSUED.

This paragraph does not limit the right of a manufacturer, factory

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 $\begin{array}{c} (2) & \text{This } \mathbf{j} \\ \text{branch, or distributor to:} \end{array}$ 

1	(i) Conduct an audit of any claim filed under this section; or
2	(ii) Charge back for any claim that is proven to be fraudulent.
3 4	(3) An audit under this paragraph shall be conducted according to generally accepted accounting principles.
5	(D) A MANUFACTURER, DISTRIBUTOR, OR FACTORY BRANCH MAY NOT
6	REFUSE TO PAY, OR CLAIM REIMBURSEMENT FROM, A DEALER FOR SALES,
7	INCENTIVES, OR PAYMENTS RELATED TO A MOTOR VEHICLE SOLD BY THE
8	DEALER BECAUSE THE PURCHASER OF THE MOTOR VEHICLE EXPORTED OR
9	RESOLD THE MOTOR VEHICLE IN VIOLATION OF THE POLICY OF THE
10	MANUFACTURER, DISTRIBUTOR, OR FACTORY BRANCH UNLESS THE
11	MANUFACTURER, DISTRIBUTOR, OR FACTORY BRANCH CAN SHOW THAT, AT THE
12 13	TIME OF SALE, THE DEALER HAD SPECIFIC KNOWLEDGE KNEW OR SHOULD
13 14	HAVE KNOWN OF THE PURCHASER'S INTENTION TO EXPORT OR RESELL THE MOTOR VEHICLE.
	MOTOR VEHICLE.
15	SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
16	October 1, 2008.
	Approved:
	$\qquad \qquad Governor.$
	President of the Senate.
	Speaker of the House of Delegates.